

OUTGOING TELEGRAM

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SENT TO: AMEMBASSY, TRIPOLI 275

RPTD INFO: AMEMBASSY, BENGHAZI (by Air Pouch)
AMEMBASSY, LONDON " " "

URTEL 258.

DEPARTMENT OF STATE A/CDC/MIB	
REVIEWED BY <i>J. M. Razi</i>	DATE <i>May 6, 1955</i>
FOR THE DIRECTOR, DATE	
TO: AMEMBASSY, BENGHAZI	
REASON FOR: ☒ INFORMATION	
DECLASSIFIED ☒ EXEMPTED ☒	
REASON FOR EXEMPTION	
PA OF FOI EXEMPTIONS	

1. \$4 million can be made available about one week after your notification us how it should be drawn and where deposited.

2. We are balancing necessity obtaining maximum good will from what Libyans clearly consider quid for base agreement against importance obtaining best use funds in Libya's economic development. September 9 note phrased intentionally in terms US assistance for development projects rather than cash payments. First emphasis thus should be on organizing Joint Economic Commission and documenting good projects.

3. Unless informed to contrary however we will assume from REFTEL the practicalities situation dictate paying full \$4 million now. This of course should be occasion for urging action on Joint Economic Commission and application aid funds.

4. If check for \$4 million to be drawn, inform us proper payee, presumably either QTE Government UK Libya UNQTE or QTE Joint Libyan-American Economic Commission UNQTE. Department sees advantages in latter, although Commission would first have to be given corporate existence by exchange notes and perhaps certain Libyan enabling legislation.

5. We agree

Drafted by:

NEA/AF:JFRoot:pkw 1/21/55

Telegraphic transmission and classification approved by:

John E. Utter

Clearances:

Department of the Air Force - Mr. Hancock FOA-Mr. Paul Chru A. Boke ED-Lamacchia
S/MSA-Mr. Frechtling MN-Messrs. Goldstein & Srole Treasury--Mr. Finkel

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5. We agree desirability deposit United States. Possibilities include deposit with Secretary of US Treasury, with Federal Reserve Bank of New York or with private US bank. Money can be transferred Secretary Treasury on Libyan request without need draw check to Libyan Government and would be held special account subject instructions Libyan Government or its designated disbursing agent. Deposit in Federal Reserve or private bank would have be made by Libyan Government or Joint Economic Commission in own name.

6. Libyans could instruct Secretary Treasury retain only small portion funds in cash account (non-interest bearing) and invest remainder in 90-day Treasury bills maturing at staggered dates up to 90 days and bearing interest at rate slightly over one percent annually. Such bills customary investment for foreign government funds, offering maximum security and with ready market at all times. Another form investment some funds might be US Treasury notes (maturing 6 months, one year, etc.), whose yield possibly somewhat greater but liquidity somewhat less. (This possibility might be mentioned if Libyans think sterling securities offer greater yield).

7. Alternatively, Libyans could retain fraction \$4 million as demand deposit with Federal Reserve and invest remainder in above Treasury bills.

8. Time deposit with private New York bank might bring Libyans yield in neighborhood 2 percent but presumably for such large amount bank would require some advance notice on withdrawals.

9. If Libyans wish check delivered Libya for deposit as they see fit, you should raise question sterling area controls. Resentment and perhaps political repercussions likely here if American contractors and suppliers unable compete on equal

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on equal terms with other foreign business on projects financed with funds from US. You should ask frankly how Libya proposes avoid such situation (e.g., By depositing proceeds of check in US? By retaining special dollar account elsewhere? By obtaining assurances from UK that dollar withdrawals from sterling pool will be allowed up to full amount any US grants to Libya?) We are reluctant ~~not~~ rely merely on case by case exchange allocations. / 473 MSP/10-2854

10. As stated Department telegram 159 it is in Libya's interest insure money well-spent as this will be important factor in US "sympathetic consideration" of Libya's needs for future assistance.

Dulles

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